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Ms. Cynthia Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0111

RE: Docket No. EP 724, *United States Rail Service Issues*

ALLETE d/b/a Minnesota Power writes in support of the Western Coal Traffic League's October 22, 2014 petition asking the Board to require BNSF Railway to publicly file a coal service recovery plan.

ALLETE is a diversified energy company headquartered in Duluth, Minnesota. ALLETE's principal operating division, Minnesota Power, generates, transmits and distributes electricity in a 26,000 square mile region in northern Minnesota to 144,000 residents, 16 municipalities and some of the nation's largest industrial customers. Coal is Minnesota Power's primary fuel source for its electric generation. The company currently owns three coal-fired plants that utilize approximately 5 million tons of coal each year. This coal originates at mines located in Wyoming and Montana and is transported by BNSF Railway either in single carrier, or joint-carrier service.

Minnesota Power has previously submitted testimony to the Board, and David McMillan, Senior Vice-President, External Affairs, ALLETE and Executive Vice President Minnesota Power, appeared at the Board's April 10, 2014 hearing regarding rail service. At the hearing, Mr. McMillan emphasized the serious coal transportation issues that Minnesota Power had faced during the winter of 2013-2014, including dangerously low stockpiles and significant additional costs for alternative electricity, which costs had already exceeded \$10 million at the time of his testimony.

In the intervening months, conditions have not improved. At the end of August 2014, Minnesota Power took the extraordinary step of ceasing operations at four electric generating units in an effort to preserve the small coal stockpiles at those facilities for winter as well as boost the stockpile at our largest generating facility by diverting all of our coal deliveries to it. Minnesota Power's predicament stands in stark contrast to BNSF's assurances that no utilities would run out of coal.

Minnesota Power has also engaged in extensive curtailment of coal-fired generation throughout 2014. Alternative electricity is very costly. Minnesota Power estimates that its forced curtailment of coal-fired electric generation has cost Minnesota Power's customers well over \$20 million so far.

Minnesota Power is captive to the BNSF at most of its facilities and origins. Specifically, Minnesota Power's largest facility, the Boswell Electric Generating Station, which receives more than eighty percent of Minnesota Power's total annual coal volumes, is entirely reliant on BNSF service. Thus, as BNSF's service has dwindled, so too have the coal stockpiles at Boswell. For

many months, Boswell coal stockpiles have lingered below 20 days and it has often dipped below 10 days, notwithstanding the curtailment policy that Minnesota Power has instituted.

The electricity that Minnesota Power generates is a key element to the economy of Minnesota and the United States. Our industrial customers operate global organizations and compete in international markets. These customers include ArcelorMittal, United States Steel, Cliffs Resources, UPM Kymmene, Sappi, Gerdau Ameristeel, NewPage and others. Affordable, reliable electricity is a must for these entities.

Minnesota Power also has the duty to make sure that the "lights stay on" for all of its customers. As a public utility, we cannot falter in that mission. We are also a part of the Midcontinent Independent System Operator ("MISO") region, which manages regional electric grid reliability as well as the economic dispatch of electric generating facilities. Thus, Minnesota Power also has a role in ensuring electric reliability for 15 states, and regular, predictable deliveries of coal are a vital element that allows Minnesota Power to fulfill its role.

As another winter approaches, Minnesota Power is deeply concerned that its ability to receive and generate electricity with coal will not be adequate. As described in the enclosed letter from Clair J. Moeller, Executive Vice President, Transmission & Technology, MISO, being without the Boswell station during the coldest part of the winter "... will make it challenging to operate the system without subjecting the load to increased risk of load shed..." BNSF's current service is insufficient to ensure that Minnesota Power can run its coal-fired generation at normal levels. Indeed, we anticipate that curtailments will continue on throughout the winter. We are especially concerned that a serious snowstorm or other weather disturbance may seriously threaten Minnesota Power's already depleted coal stockpiles.

Minnesota Power and BNSF have been in regular communication this year. BNSF is well aware of the issues that Minnesota Power has faced. While Minnesota Power is appreciative of BNSF's regular communications, we believe this service crisis has lingered on too long without a definitive coal service recovery plan. Governor Dayton, Senator Franken, Senator Klobuchar, and other officials from our state have voiced the same concerns.

Minnesota Power urges the STB to grant WCTL's petition. We believe a coal service recovery plan is long overdue, and WCTL's approach is a sound and fair one. It allows BNSF to devise a plan of its own making to which it must adhere. This is no different than the plans utilities must make and submit to their regulators.

We thank the Board for its consideration.

Sincerely,



Kathy M. Benham
Director – Fuel Strategy & Sourcing

Enclosure



November 3, 2014

Allan S. Rudeck Jr.
Minnesota Power
30 West Superior Street
Duluth, MN 55802

Allan,

In response to your inquiry regarding potential fuel issues at the Boswell plant, our System Operations group has considered the potential operational impacts of being without any units at Boswell for an extended period of time.

The roughly 1100 MW of capacity at Boswell is by far the largest resource in northern Minnesota, and is relied upon to serve the load as well as providing voltage support in the area. Being without the Boswell station will make it challenging to operate the system without subjecting the load to increased risk of load shed during the coldest part of the winter. A number of transmission facilities are already scheduled for maintenance outages that will impact the ability to support the load in northeastern Minnesota, if the Boswell plant is not available.

If coal inventories affect other units in Minnesota and western Wisconsin, MISO could enter into a Regional Emergency Energy situation, which ultimately could result in load shed over an area larger than northern Minnesota. As MISO has heard of similar delivery issues at multiple units in the region, either directly or through media reports, this has become an increasing concern for MISO.

Moving past the winter months and into spring outage season will further complicate operations. Although the loads may be coming down, the number of transmission outages increase. Again, since Boswell is relied upon for serving the load in northern Minnesota, with additional transmission outages, the import capability will be further constrained and again puts area load at risk.

Respectfully,

A handwritten signature in black ink, appearing to read "Clair J. Moeller".

Clair J. Moeller
Executive Vice President, Transmission & Technology